

Development of 2002-04 Capital Budget Recommendation

Each public university and the Kentucky Community and Technical College System was required to submit a 2002-08 capital plan to the Capital Planning Advisory Board (CPAB) by April 15, 2001. The Capital Planning Advisory Board held hearings July 24-25 to discuss the capital priorities of all state agencies, including postsecondary education institutions. The projects identified in the first biennium of the 2002-08 capital plans generally evolve into the 2002-04 capital requests. The institutions submitted their 2002-04 capital requests to the council July 2. The council's 2002-04 capital budget recommendation will be requested through the Physical Facilities Trust Fund and the Technology Trust Fund.

Physical Facilities Trust Fund. The Physical Facilities Trust Fund was created with the passage of the *Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1). Projects funded through the trust fund are to be consistent with the adopted postsecondary education strategic agenda and the resources available to the trust fund. Generally, bonds are issued to fund the approved projects, and the trust fund receives money for the debt service. For the 2002-04 capital budget, the council staff proposes the following priorities:

- *Capital renewal and maintenance:* The capital renewal and maintenance pool provides funds to renew and maintain institutional facilities. The program provides matching dollars to reduce deferred maintenance backlogs and to address long-range facilities renewal needs. In 2000-02, this trust fund received an appropriation of \$3.018 million to support debt service for a \$30 million bond issuance. For 2002-04, staff will recommend another \$30 million bond issuance to further reduce the backlog of capital renewal and deferred maintenance projects.
- *Major renovations of educational and general (E&G) facilities:* This program provides funds to improve or to replace specific existing facilities that cannot continue to be used for the purpose for which they were originally constructed.
- *Construction of new (E&G) facilities or expansion of existing facilities:* This program provides additional instruction or research space required by an institution to support its mission.

The council's consulting architect reviewed 42 capital projects for which the institutions are requesting \$672 million of state bonds. The State Budget Director has stated that if debt service is held to no more than six percent of the state's revenue, as in the past, the entire state's projected additional bonding capacity for the 2002-04 biennium is \$235 million. A summary of

projects reviewed by the council's consulting architect, Mr. David Banks, is provided in Attachment A.

Generally, state bonds are requested for educational and general facilities and equipment while authority to spend cash or issue agency bonds is requested for auxiliary enterprises. A summary of the institutions' capital requests by fund source is presented in Attachment B (Tables 1-4).

According to the *Points of Consensus*, the council will evaluate institutional capital requests using the revised Kentucky Space Needs Model and the recommendations of a professional consultant with regard to quality of existing space. Considering the existing educational and general space and the new space that was authorized by the 1998 and 2000 General Assembly, the space model shows a net 20 percent space surplus for the entire system. However, there are net space deficits at Lexington Community College and the Hopkinsville Community and Technical College District.

When projecting out to 2006, the target year for capital planning, the space model shows an 8 percent net space surplus for the entire system. But six institutions are projected to have net space deficiencies. Northern Kentucky University is projected to need special use and general use, physical education and recreation, and open laboratory space. University of Kentucky is projected to need research laboratory and special use and general use space. University of Louisville is projected to need research laboratory, physical education and recreation, and special use and general use space. Lexington Community College is projected to need space in all categories. Hopkinsville Community and Technical College District is projected to need open laboratory and special use and general use space. Jefferson Community and Technical College District is projected to need open laboratory, offices, special use and general use and support space. Other institutions have overall space surpluses but may have deficits within a specific space category. A summary of the space model results is presented in Attachment C.

During August, Mr. Banks visited the institutions' campuses and discussed their capital requests. Mr. Banks found that generally the campuses are very clean and in good condition. He observed that many of the major renovation and capital renewal projects are the result of long-standing requests by the institutions from past biennia. Mr. Banks suggests that some projects show signs that institutions are not budgeting sufficient funds to properly maintain facilities. He further suggests that requests for new construction many times lack the proper planning and programming to determine accurately the funding required for completion of the project. Mr. Banks suggests that, for approved projects, it may be more appropriate to first provide the institutions funds for project planning and programming and then provide capital construction funds in the following biennium. Mr. Banks' report will be presented at the council meeting.

Technology Trust Fund. The Technology Trust Fund, also created in HB1, includes the Equipment Replacement Program. The program provides matching dollars to upgrade research equipment and also provides funds for instructional equipment in classrooms. In 2001-02, this program received \$3.8 million to support debt service for a \$20 million bond issuance. For 2003-04, the staff plans to recommend another \$20 million bond issue to further address the replacement and upgrade of instructional and research equipment.

Next Steps

The council will hold institutional budget hearings October 10, 2001. The presidents will have the opportunity to inform the council about their capital priorities and special funding requests for 2002-04.

The council is required to submit the 2002-04 capital budget recommendation to the Governor's Office for Policy and Management by November 15.

Staff preparation by Sherron Jackson

Attachment A

2002-04 Institutional Capital Project Requests
Projects Reviewed by Consulting Architect

Institution and Project	Total Scope	State Funds	Agency Funds
Eastern Kentucky University			
1. Business and Technology Center	\$ 26,000,000	\$ 26,000,000	\$ -
2. University Activity Center Phase II	14,000,000	14,000,000	-
5. Remodel Mattox Hall for Offices/Classrooms	600,000	600,000	-
Subtotal - EKU	\$ 40,600,000	\$ 40,600,000	\$ -
Kentucky Community and Technical College System			
2. Ashland TC: Regional Postsecondary Ed. Center	\$ 28,276,000	\$ 28,276,000	\$ -
3. Maysville CC: Academic Technical Building Renovation	8,900,000	8,900,000	-
4. Hazard CC: KY School of Craft Phase II	8,759,000	8,759,000	-
5. Owensboro CC: Advanced Technology Center	23,794,000	23,794,000	-
6. Madisonville CC: Technical Building	9,697,000	9,697,000	-
9. KCTCS System Office Facility	20,393,000	20,393,000	-
10. Henderson CC: Tri-County Technical Center	12,833,000	12,833,000	-
11. Southeast CC: Appalachian Development Center	16,000,000	10,000,000	6,000,000
12. Hazard CC: Lees Campus Library/Science Building Renovation	1,355,000	1,355,000	-
14. Hopkinsville CC: Academic Building Renovation	6,795,000	6,795,000	-
15. Jefferson CC: LV Building Renovation	8,805,000	8,805,000	-
17. Ashland CC: Academic LRC Building Renovation	18,325,000	18,325,000	-
30. Hopkinsville CC: Agricultural Technology Facility	10,122,000	10,122,000	-
Subtotal - KCTCS	\$ 174,054,000	\$ 168,054,000	\$ 6,000,000
Kentucky State University			
1. Hill Student Center Renovation and Expansion	\$ 4,400,000	\$ 4,400,000	\$ -
2. Bradford Hall - Business Wing Expansion	10,800,000	10,800,000	-
3. Hathaway Hall Renovation	5,937,000	5,937,000	-
8. Betty White Facility Renovation and Expansion	4,278,000	4,278,000	-
9. Bell Gym Renovation	3,800,000	3,800,000	-
Subtotal - KSU	\$ 29,215,000	\$ 29,215,000	\$ -
Morehead State University			
1. ADUC Renovation and Expansion Phase II	\$ 10,000,000	\$ 10,000,000	\$ -
2. New NASA Space Science Center	12,200,000	12,200,000	-
3. Camden-Carroll Library Renovation and Expansion	20,000,000	20,000,000	-
Subtotal - MoSU	\$ 42,200,000	\$ 42,200,000	\$ -
Murray State University			
1. New Science Building Phase II	\$ 13,000,000	\$ 13,000,000	\$ -
2. Recreation and Wellness Center	15,000,000	15,000,000	-
5. New Breathitt Veterinary Center	12,500,000	12,500,000	-
Subtotal - MuSU	\$ 40,500,000	\$ 40,500,000	\$ -

Attachment A

**2002-04 Institutional Capital Project Requests
Projects Reviewed by Consulting Architect**

Institution and Project	Total Scope	State Funds	Agency Funds
Northern Kentucky University			
1. Old Science Building Renovation	\$ 15,400,000	\$ 15,400,000	\$ -
2. Landrum Hall Structural Repairs Phase II	850,000	850,000	-
3. New Student Union	27,500,000	15,650,000	11,850,000
Subtotal - NKU	\$ 43,750,000	\$ 31,900,000	\$ 11,850,000
University of Kentucky and LCC			
1. Morgan Building Addition Part A	\$ 28,693,000	\$ 25,843,000	\$ 2,850,000
2. Pharmacy Building Expansion	45,083,000	33,083,000	12,000,000
3. Gatton Building Complex	75,127,000	37,753,000	37,374,000
4. Law School Building	65,266,000	52,234,000	13,032,000
5. Lexington Community College Campus Expansion	23,633,000	23,045,000	588,000
6. Architecture Building	19,512,000	14,112,000	5,400,000
Subtotal - UK & LCC	\$ 257,314,000	\$ 186,070,000	\$ 71,244,000
University of Louisville			
1. HSC Research Facilities Phase III	\$ 98,000,000	\$ 58,800,000	\$ 39,200,000
4. Natural Science Building Renovation Phase I	4,843,000	4,843,000	-
5. Houchens Student Services Building Renovation	5,697,000	5,697,000	-
Subtotal - UofL	\$ 108,540,000	\$ 69,340,000	\$ 39,200,000
Western Kentucky University			
1. Science Campus Renovation Phase II	\$ 33,000,000	\$ 33,000,000	\$ -
3. Schneider Hall Renovation	7,000,000	7,000,000	-
6. Owensboro Regional Postsecondary Education Center	24,169,000	24,169,000	-
Subtotal - WKU	\$ 64,169,000	\$ 64,169,000	\$ -
Total - System	\$ 800,342,000	\$ 672,048,000	\$ 128,294,000

2002-04 Institutional Capital Project Requests
Summary of All Fund Sources
As of September 30, 2001
TABLE 1

Institution	State General Funds (1)	Federal and Agency Funds	Agency Bonds	Total
Eastern Kentucky University	\$ 70,875,000	\$ 10,000,000	\$ 10,050,000	\$ 90,925,000
KY Comm. and Tech. College System	324,600,000	6,000,000	-	330,600,000
Kentucky State University	62,651,000	3,224,000	-	65,875,000
Morehead State University	107,873,000	3,400,000	19,200,000	130,473,000
Murray State University	227,658,000	650,000	74,520,000	302,828,000
Northern Kentucky University	103,100,000	15,195,000	37,600,000	155,895,000
University of Kentucky (2)	406,798,000	190,590,000	66,651,000	664,039,000
UK - Hospital	-	182,874,000	13,990,000	196,864,000
University of Louisville	150,126,000	216,499,000	12,129,000	378,754,000
Western Kentucky University	83,029,000	5,699,000	11,320,000	100,048,000
System Total	\$ 1,536,710,000	\$ 634,131,000	\$ 245,460,000	\$ 2,416,301,000

1. State General Funds include requests for state supported bonds.
2. Includes requests for the Lexington Community College.

2002-04 Institutional Capital Project Requests
State General Funds
As of September 30, 2001
TABLE 2

Institution	State General Funds			Total
	Capital Construction (1)	Technology Initiative	Equipment	
Eastern Kentucky University	\$ 52,850,000	\$ 12,890,000	\$ 5,135,000	\$ 70,875,000
KY Comm. and Tech. College System	291,155,000	12,000,000	21,445,000	324,600,000
Kentucky State University	58,895,000	3,756,000	-	62,651,000
Morehead State University	81,830,000	22,200,000	3,843,000	107,873,000
Murray State University	211,572,000	6,746,000	9,340,000	227,658,000
Northern Kentucky University	101,200,000	1,900,000	-	103,100,000
University of Kentucky (2)	406,798,000	-	-	406,798,000
University of Louisville	110,501,000	26,225,000	13,400,000	150,126,000
Western Kentucky University	73,274,000	9,645,000	110,000	83,029,000
System Total	\$ 1,388,075,000	\$ 95,362,000	\$ 53,273,000	\$ 1,536,710,000

1. Includes capital renewal and maintenance, renovations, and construction of new facilities.
2. Includes requests for the Lexington Community College.

2002-04 Institutional Capital Project Requests

Agency Bond Authority
As of September 30, 2001

TABLE 3

Institution	Capital Construction	Fire Safety	Total
Eastern Kentucky University	\$ 10,050,000	\$ -	\$ 10,050,000
Kentucky State University	-	-	-
Morehead State University	16,200,000	3,000,000	19,200,000
Murray State University	74,520,000	-	74,520,000
Northern Kentucky University	37,600,000	-	37,600,000
University of Kentucky and LCC	66,651,000	-	66,651,000
UK - Hospital	13,990,000	-	13,990,000
University of Louisville	12,129,000	-	12,129,000
Western Kentucky University	11,320,000	-	11,320,000
System Total	\$ 242,460,000	\$ 3,000,000	\$ 245,460,000

2002-04 Institutional Capital Project Requests

Restricted Agency and Federal Funds

As of September 30, 2001

TABLE 4

Institution	Capital Construction (1)	Technology Initiative	Equipment	Total
Eastern Kentucky University	\$ 8,000,000	\$ 2,000,000	\$ -	\$ 10,000,000
KY Comm. and Tech. College System	6,000,000		-	6,000,000
Kentucky State University	3,224,000			3,224,000
Morehead State University	3,000,000		400,000	3,400,000
Murray State University	650,000			650,000
Northern Kentucky University	10,950,000	2,500,000	1,745,000	15,195,000
University of Kentucky (2)	126,230,000	19,072,000	45,288,000	190,590,000
UK - Hospital	104,315,000	23,190,000	55,369,000	182,874,000
University of Louisville	201,776,000	460,000	14,263,000	216,499,000
Western Kentucky University	3,978,000	1,721,000		5,699,000
System Total	\$ 468,123,000	\$ 48,943,000	\$ 117,065,000	\$ 634,131,000

1. Includes capital renewal and maintenance projects, renovations, and construction of new facilities.

2. Includes requests for the Lexington Community College.

**KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
SPACE NEEDS MODEL - COMPARISON OF EXISTING SPACE
SUMMARY**

	2000 BASE YEAR						2006 TARGET YEAR				
	Actual ASF	Student FTE	Staffing FTE	Guidelines ASF	Surplus/ Deficit	Percent Surplus/ Deficit	Student FTE	Staffing FTE	Guidelines ASF	Surplus/ Deficit	Percent Surplus/ Deficit
<i>Doctoral Universities</i>											
University of Kentucky	4,186,402	16,938	5,645	3,894,277	292,125	7%	17,756	5,718	4,876,987	(690,585)	(16%)
Lexington Community College	150,114	4,328	333	254,540	(104,426)	(70%)	5,194	366	295,025	(144,911)	(97%)
University of Louisville	2,494,165	14,677	4,310	2,413,365	80,800	3%	14,708	4,429	2,968,751	(474,586)	(19%)
<i>Subtotal Doctoral Universities</i>	6,830,681	35,943	10,288	6,562,182	268,499	4%	37,658	10,513	8,140,763	(1,310,082)	(19%)
<i>Comprehensive Universities</i>											
Eastern Kentucky University	1,697,061	11,288	1,866	1,191,531	505,530	30%	11,921	1,913	1,240,308	456,753	27%
Kentucky State University	523,286	1,772	367	301,476	221,810	42%	2,201	412	332,305	190,981	36%
Morehead State University	919,682	6,269	916	645,337	274,345	30%	6,755	951	677,497	242,185	26%
Murray State University	1,219,947	6,901	933	710,574	509,373	42%	7,502	965	753,983	465,964	38%
Northern Kentucky University	948,985	9,370	1,100	945,057	3,928	0%	11,275	1,208	1,087,653	(138,668)	(15%)
Western Kentucky University	1,242,202	11,852	1,687	1,153,054	89,148	7%	12,915	1,765	1,236,096	6,106	0%
<i>Subtotal Comprehensive Universities</i>	6,551,163	47,452	6,869	4,947,029	1,604,134	24%	52,569	7,214	5,327,842	1,223,321	19%
<i>KCTCS Community & Technical College Districts</i>											
Ashland	222,214	1,742	348	161,173	61,041	27%	1,861	360	169,694	52,520	24%
Big Sandy	331,244	1,960	300	175,114	156,130	47%	2,188	320	194,812	136,432	41%
Bluegrass	160,502	1,052	241	138,032	22,470	14%	1,238	262	158,362	2,140	1%
Bowling Green	128,910	952	145	111,103	17,807	14%	963	155	113,566	15,344	12%
Elizabethtown	238,748	2,470	347	186,314	52,434	22%	2,710	371	205,372	33,376	14%
Henderson	99,701	751	130	60,676	39,025	39%	798	134	63,230	36,471	37%
Hopkinsville	116,086	1,912	174	121,307	(5,221)	(4%)	2,031	179	126,976	(10,890)	(9%)
Jefferson	475,747	6,646	762	470,390	5,357	1%	7,077	787	495,659	(19,912)	(4%)
Kentucky River	331,506	1,767	335	164,393	167,113	50%	1,849	342	168,629	162,877	49%
Madisonville	212,613	1,483	265	129,377	83,236	39%	1,593	276	137,444	75,169	35%
Maysville	163,065	1,124	187	100,264	62,801	39%	1,231	196	108,983	54,082	33%
Northern Kentucky	122,303	664	166	88,403	33,900	28%	788	181	102,081	20,222	17%
Owensboro	205,357	2,186	270	180,319	25,038	12%	2,342	280	191,129	14,228	7%
Somerset	1,014,834	2,075	346	189,879	824,955	81%	2,191	355	197,317	817,517	81%
Southeast	159,096	1,827	199	116,812	42,284	27%	1,940	205	122,382	36,714	23%
Western Kentucky	295,737	2,811	402	250,721	45,016	15%	2,818	398	244,887	50,850	17%
<i>Subtotal KCTCS</i>	4,277,663	31,422	4,617	2,644,277	1,633,386	38%	33,618	4,801	2,800,523	1,477,140	35%
System Total	17,659,507	114,817	21,774	14,153,488	3,506,019	20%	123,845	22,528	16,269,128	1,390,379	8%